

Message Text

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ACTION NEA-06

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FM AMEMBASY KUWAIT

TO SECSTATE WASHDC 9035

INFO AMEMBASSY ABU DAHBI

AMEMBASSY JIDDA

C O N F I D E N T I A L KUWAIT 0993

LIMDIS

E.O. 11652: GDS

TAGS: ENRG, EFIN, KU, US

SUBJECT: KUWAIT TO INVEST IN SOUTH CAROLINA REFINERY.

1. WE HAVE LEARNED THAT SOUTH CAROLINA OFFICIALS AND KUWAIT INVESTMENT COMPANY ARE CLOSE TO AGREEMENT REGARDING KUWAITI PARTICIPATION IN 100,000 BPD REFINERY TO BE BUILT NEAR CHARLESTON, SOUTH CAROLINA. KUWAIT MINISTRY FINANCE AND OIL HAS TENTATIVELY GIVEN GREEN LIGHT TO DEAL WHICH MAY BE CLOSED WITHIN SIX MONTHS.

2. REFINERY WAS PLANNED AND APPROVED ABOUT TWO YEARS AGO AT WHICH TIME GULF OIL COMPANY WAS EXPECTED PARTICIPATE. UNDERSTAND NECESSARY LEGAL AND ENVIRONMENTAL REQUIREMENTS WERE SATISFIED AT THAT TIME. UNDER PROPOSED PRESENT ARRANGEMENT KIC WOULD ARRANGE FINANCING AND PROVIDE AS MUCH AS 33 PERCENT OF \$100 MILLION REQUIRED TO BUILD REFINERY. IF NECESSARY, GOK MAY PROVIDE REST OF FINANCING THROUGH LOANS. IN ADDITION, SOUTH CAROLINIANS WOULD ENTER "PAY OR TAKE" CONTRACT FOR KUWAITI CRUDE, PRESUMABLY GOVERNMENT PARTICIPATION CRUDE.

3. COMMENT: DEAL STILL BEING NEGOTIATED, AND ON KUWAIT
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SIDE BEING HELD UP PENDING RATIFICATION PARTICIPATION AGREE-

MENT AND LIFTING OIL EMBARGO. DEAL SIGNIFIES CONTINUED KUWAIT, PARTICULARLY GOK, INTEREST IN INVESTING IN US NOTABLY IN DOWNSTREAM PETROLEUM - RELATED INVESTMENTS. THIS DEAL IS FIRST SPECIFIC DOWNSTREAM PROJECT IN US WE HAVE HEARD OF APART FROM KNPC'S TERMINAL FACILITY IN NEW JERSEY, WHICH CURRENTLY IN LIMBO. NEWSPAPERS HERE REPORTED OTHER POSSIBLE REFINERY DEALS ELSEWHERE, PARTICULARLY IN IRELAND, BUT WE HAVE NOT BEEN ABLE CONFIRM SUCH REPORTS.

4. INFO RE SOUTH CAROLINA REFINERY PROJECT LIKELY BECOME PUBLIC SOON, BUT WE HAVE BEEN ASKED KEEP INFO IN STRICT CONFIDENCE AND THEREFORE REQUEST ADDRESSEES HOLD INFO CLOSELY. MCCLELLAND

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